

Navigating the State Revolving Fund

September 16, 2020



PRESENTERS

Hannah Humphrey Department of Natural Resources -
Financial Assistance Center

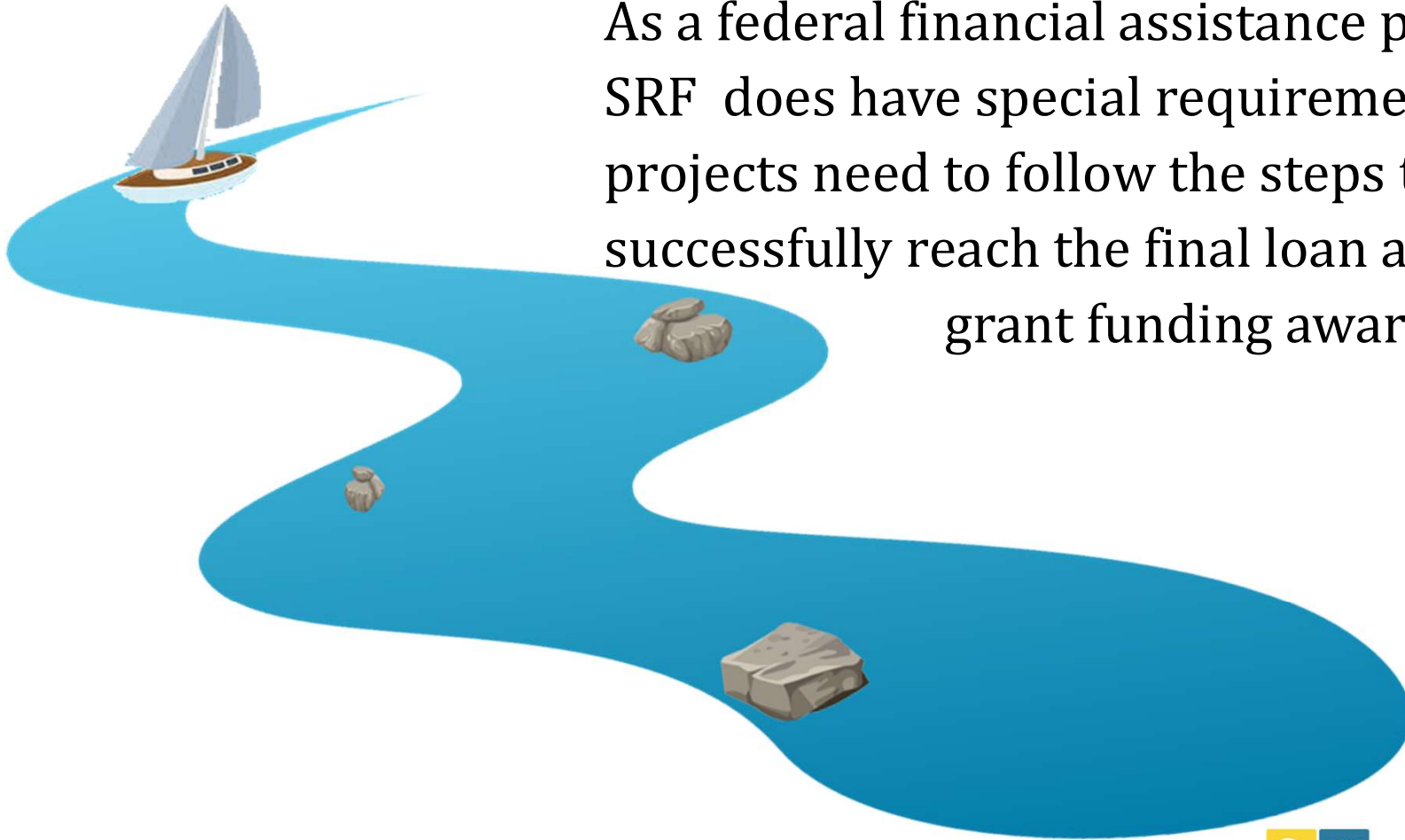
Joan Doerhoff Department of Natural Resources -
Financial Assistance Center

Greg Powell Department of Natural Resources -
Financial Assistance Center

John Overstreet Tri-County Water Authority

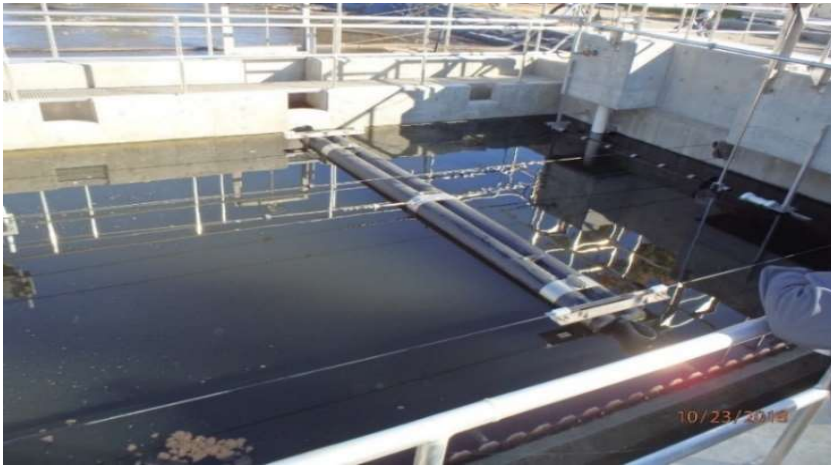
Navigating the SRF Funding Process

As a federal financial assistance program, SRF does have special requirements, so projects need to follow the steps to successfully reach the final loan and/or grant funding award...



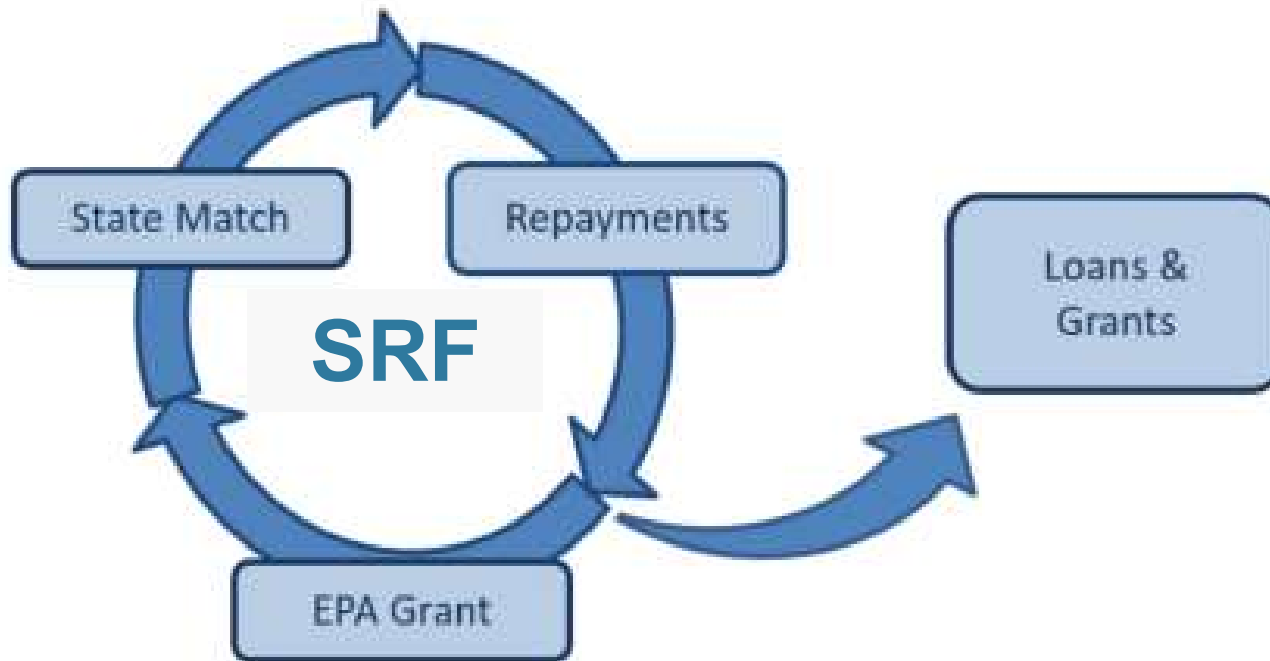
State Revolving Fund (SRF) Programs

- Drinking Water State Revolving Fund (DWSRF)
- Clean Water State Revolving Fund (CWSRF)
- Engineering Report Grants



State Revolving Fund

How does it work



SRF Loan Programs

- Both SRFS are primarily loan programs
- Offer below market rate loans– interest subsidy 70% of market interest rate
- ½ percent annual administrative fee
- Loan term typically 20 years, but may vary based on project



SRF Loan Programs

Eligible Applicants

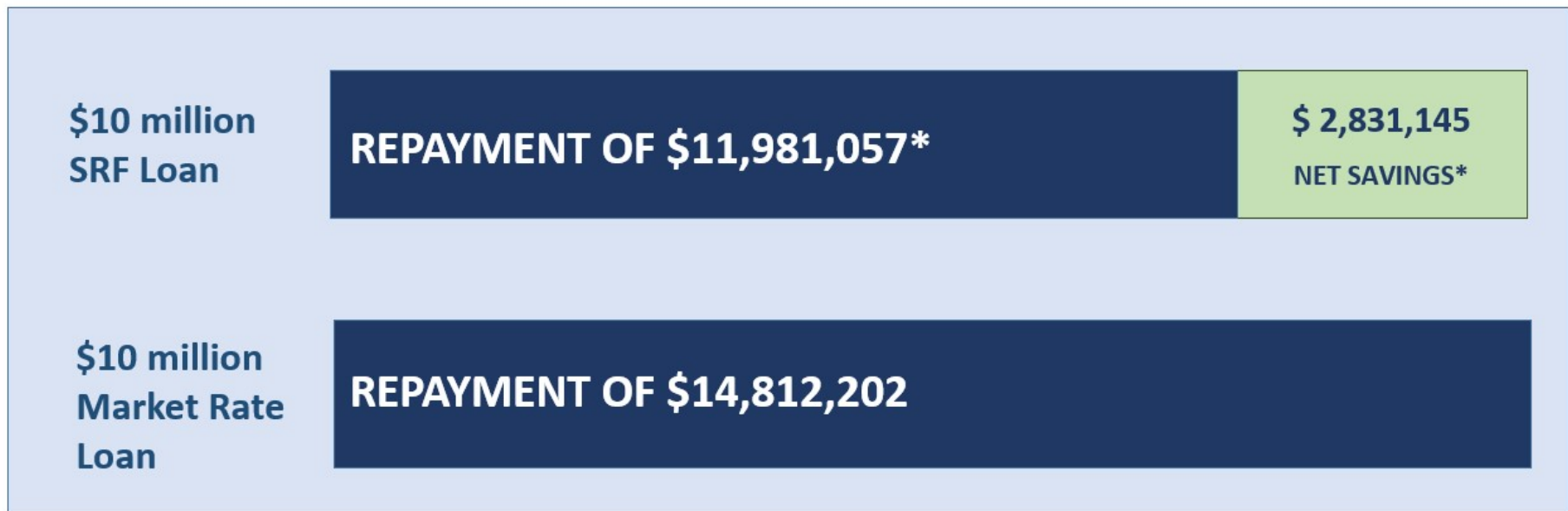
Clean Water SRF

- Political subdivisions (including counties, incorporated cities and towns, regional water or sewer districts).
- Privately-owned and not-for-profit entities may be eligible to apply for non-point source projects.

Drinking Water SRF

- Political subdivisions (including counties, incorporated cities and towns, regional water or sewer districts)
- Not-for-profit corporations
- Investor-owned water utility corporations

SRF Loan vs. Conventional Financing

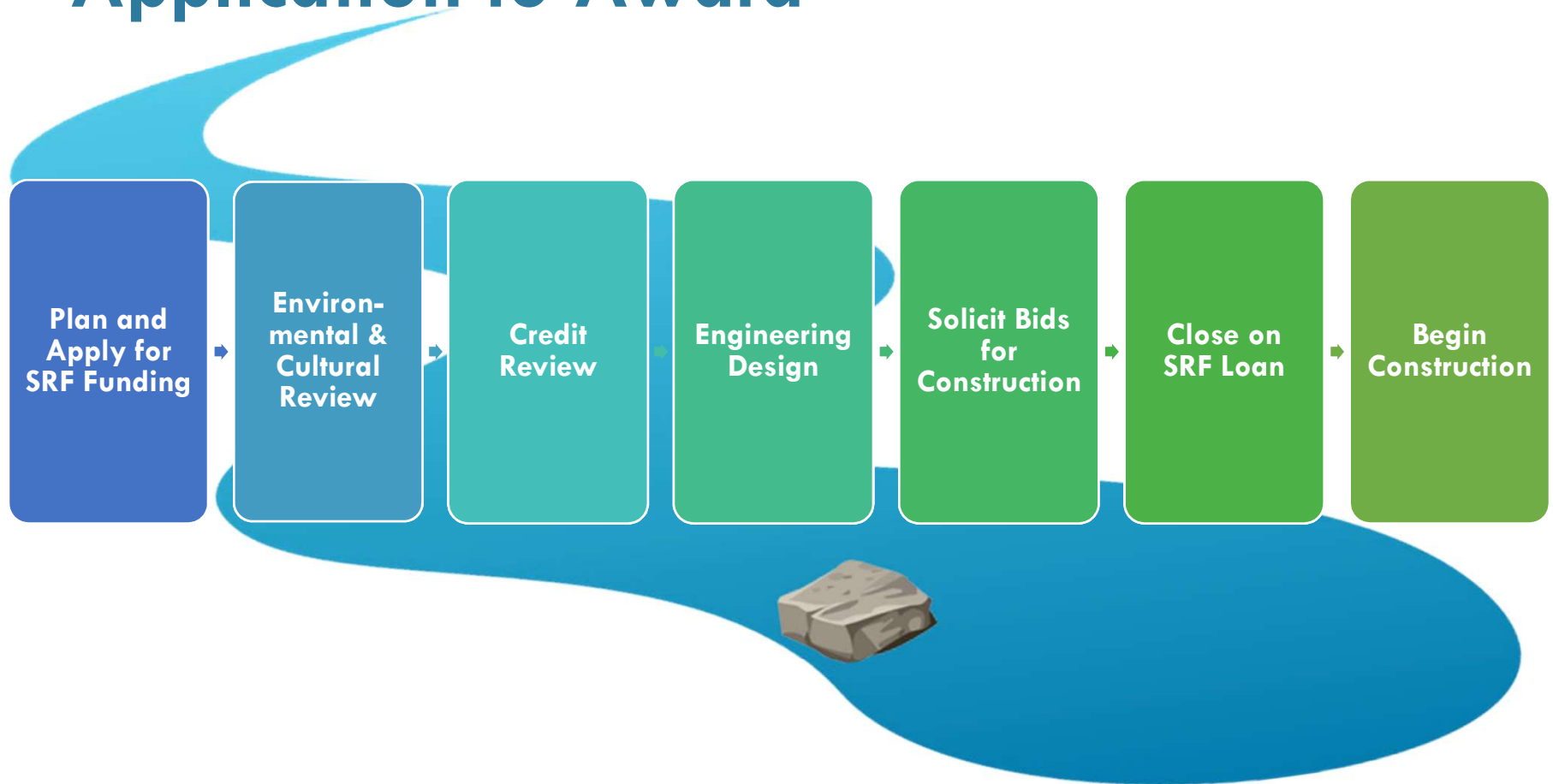


For example purposes only. Actual interest rates, payments, fees, and savings may vary based on market conditions and project specific details. Assumes a market interest rate at 3.97 % interest, and a subsidized SRF interest rate of 1.20% (30 % of the market rate).

*The SRF Loan repayment amount includes interest of \$1,454,570 and \$526,487 in SRF administration fees (the administration fee is 0.5% of the loan principal assessed annually).

DWSRF and CWSRF Loan Programs

Application to Award



CWSRF and DWSRF Loan Programs

How to Apply

Plan and
Apply for
SRF Funding

- Applications due March 1st
- Paper or electronic
- Complete/accurate
- fac@dnr.mo.gov



CWSRF and DWSRF Loan Programs

Planning-Application to Award

Plan and
Apply for
SRF Funding

- Applications are scored and competitively placed on annual Intended Use Plan
- Intended Use Plan lists all projects allocated funding for the federal fiscal year (Oct 1 – Sept 30), approved in October following public comment period and meetings
 - Approved by Clean Water Commission / Safe Drinking Water Commission
 - Details projects, priority points and allocation of funds
 - Must have:
 - ✓ Debt instrument
 - ✓ Complete facility plan/engineering report

CWSRF and DWSRF Loan Programs

Application to Award

Plan and
Apply for
SRF Funding

- DNR Project Coordinator and Engineer assigned to provide assistance and support project advancement
- Kick off meeting scheduled to discuss project and a binder with the SRF checklist and necessary guidance/templates
- Project schedule prepared by DNR and updated as needed
- Checklist updated and shared frequently with the borrower, indicating all steps needed to satisfy environmental, technical and financial review before the loan is closed

Procurement

Plan and
Apply for
SRF Funding

Architectural/Engineering Procurement

- Use Qualifications Based Selection Process - Missouri “political subdivisions of the state” must follow qualifications based selection process to procure professional design and engineering services (RSMo. 8.285 – 8.291).
- Follow Six Good Faiths - Federal funding recipients entering into contracts must seek and encourage bids from Disadvantaged Business Enterprises (DBEs).
- Check with your funding agency for assistance.

Procurement

Architectural/Engineering Contract must:

- Contain an eligible scope of work
- Be signed by city and engineer
- Specify costs (dollars)
- Specify timeframe (days)
- Specify payment method
- Be consistent with the scope of work procured (if not, applicant will need to re-procure for items not included in Request for Proposals)



Financial Due Diligence Questionnaire

Credit
Review

- About SRF “Loans” – The SRF program purchases the municipality’s debt obligation rather than providing a collateral-based loan.
- In order to be fundable the borrower must have:
 - Bond authorization
 - A dedicated repayment source
 - 110 percent Debt Service Coverage

Financial Due Diligence Questionnaire

Credit
Review

- Fiscal year financial statements (3-5 years)
- Outstanding debt
- Project budget
- Repayment source analysis, including revenue trends
- Future operating cost projection
- Rate studies
- Bond documentation



User Charge and Sewer and Water Use Ordinances

Credit
Review

- Rates must produce adequate revenues for:
 - Debt service
 - Operation and maintenance;
 - Reserve account for replacement
- Account for revenues generated by the system, debt service, and expenditures for operation and maintenance



Environmental & Cultural Review Clearance Letter Requests

Environ-
mental &
Cultural
Review

- Submit project information to each of those listed below, and request clearance:
 - U.S. Army Corps of Engineers
 - U.S. Fish and Wildlife
 - Missouri Office of Administration – Federal Assistance Clearinghouse
 - Department of Conservation
 - Department of Natural Resources Office of Historical Preservation
 - Department of Natural Resources Missouri Geological Survey
 - Department of Natural Resources Division of State Parks
 - Indian Tribes
 - Tribal Historic Preservation Officers

Environmental Review

Environmental Determination

Environ-
mental &
Cultural
Review

- Three possible determinations
 - Categorical Exclusion
 - Finding of No Significant Impact/Environmental Assessment
 - Record of Decision
- Acceptance of environmental reviews from other agencies is allowed
 - When there is joint funding (ex. SRF with CDBG)
 - Department will confirm review meets our regulations
 - Department will either concur with review or notify borrower we must complete an additional review

Plans and Specifications DWSRF

Engineering
Design

- After environmental determination is issued and facility plan comments are addressed, applicant submits:
 - Construction permit application
 - Plans and specifications
 - Summary of design
 - Plans reviewed by SRF engineer
 - Specifications reviewed by SRF engineer and SRF coordinator

Plans and Specifications CWSRF

Engineering
Design

- After environmental determination is issued and facility plan has been approved, applicant submits:
 - Construction permit application
 - Operating permit modification application (if necessary)
 - Plans and specifications
 - Summary of design
- Plans reviewed by SRF engineer
- Specifications reviewed by SRF engineer and SRF coordinator

Bidding and Construction

Solicit Bids
for
Construction

- Bid solicitation by applicant may move forward after Department approval of plans and specifications and Due Diligence Questionnaire
- Applicant must advertise for at least 30 days
- Applicant opens bids and uses tabulation spreadsheet
- Applicant submits bid documents for Department review and concurrence on recommendation of award
- Important components of bid specs:
 - Davis Bacon requirements
 - Department of Labor and Industrial Relations
 - American Iron and Steel

Construction Financing

Close on
SRF Loan

- SRF loan and grants awarded typically, after project is bid. Exceptions include design build projects.
- Program operates on reimbursement basis. Borrower submits invoices up to once per month, payment is made within 10 days.
- Applicants are responsible for:
 - ✓ Ineligible project costs
 - ✓ Costs that exceed the financed amount

Construction Financing

Close on
SRF Loan

- Loan is finalized after construction bids are opened
- Process takes 12 to 18 months
- Communication is the key!



SRF Eligibility

- Apply early in the planning process in order for Department to ensure all federal and state funding requirements are met.
- Only components that are owned, operated, and maintained by the applicant are eligible for funding through SRF.
 - Example: Grinder pump system components must be owned and maintained by the applicant to be eligible SRF costs. Easements and ordinances must clearly state applicant will own and maintain for the length of loan.

DWSRF Loan Program

Eligible Projects

Projects must address present or prevent future violations of health-based drinking water standards are eligible for assistance.

- Treatment Plants
- Transmission and distribution mains
- Rehabilitation of storage or wells
- Supply sources (i.e. wells, interconnections, and surface water intakes)
- Storage facilities
- Water security projects

DWSRF Loan Program

Ineligible Projects

- Dams or rehabilitation of dams
- Water rights - except if the water rights are owned by a system that is being purchased through consolidation as part of capacity development
- Reservoirs or rehabilitation of reservoirs
- Projects needed primarily for fire protection
- Projects needed primarily to serve speculative future growth
- Laboratory fees for routine compliance monitoring
- Operation and maintenance expenses

DWSRF Additional Subsidization

Grant up to 75% of the eligible project costs, with a maximum of \$2 million in grant, is available with loan to:

- Disadvantaged communities, defined as
 - Population of 3,300 or less based on most recent decennial census
 - Average user rates for 5,000 gallons is at least 2% of the recipient's median household income (MHI)
 - The median household income is at or below 75% of the state average as determined by the most recent decennial census (income survey can also be conducted to determine MHI)
- Any community for regionalization project to connect a disadvantaged community.

CWSRF Loan Program

Eligible Projects

Wastewater projects

- New or improved wastewater treatment plants
- Acquisition of an existing wastewater treatment plant
- Treatment plant decommissioning actions associated with plant replacement or regionalization projects
- Combined sewer overflow and sanitary sewer overflow corrections
- Projects for reusing or recycling wastewater
- System security, efficiency, and conservation measures

CWSRF Loan Program

Eligible Projects

Nonpoint source projects

- Measures to manage, reduce, treat, reuse, or recapture stormwater
- Wetland protection and restoration measures
- Decentralized wastewater treatment systems
- Source water protection measures

CWSRF Loan Program

Ineligible Projects

- Operations and Maintenance
- Some projects are limited by public and private ownership



CWSRF Additional Subsidization (Grants)

- CWSRF Affordability Grants
- CWSRF Water Quality Incentive Grants
- CWSRF Regionalization Incentive Grants



CWSRF Affordability Grants with Loans

- Grant up to 50% of the eligible project costs, with a maximum of \$2 million in grant, is available with loan to communities who have:
 - Population 10,000 or less
 - Would have difficulty financing projects without grant
 - Apply by annual CWSRF application deadline of March 1

Grant Eligibility Evaluation Form and guidance can be found at www.dnr.mo.gov/env/wpp/srf/wastewater-assistance.htm

CWSRF Water Quality Incentive Grants with Loans

- Partial grants to incentivize water quality improvements
- \$500,000 to \$2,000,000 with CWSRF loan
- Any size community
- Eligibility evaluated at application
 - Must apply by March 1
 - Meet readiness to proceed criteria
 - Include qualifying project component
- Grant funds committed when listed in annual IUP

CWSRF Water Quality Incentive Grants

Eligible Components

- Flood mitigation infrastructure
- Upgrades needed to comply with new permit limits or to meet the assumptions of TMDLs
- Wastewater treatment plant improvements to provide renewable energy generation
- Streambank stabilization in drinking water supply lake watershed
- Measures to manage, reduce, treat, or recapture stormwater, or install green infrastructure
- Wastewater treatment improvements by a municipality serving citizens enrolled in a rate assistance program
- Inflow and infiltration rehabilitation
- Sewer extension to serve customers in a district or a city's service area
- Construction to connect homes with failing onsite wastewater systems to an existing wastewater treatment system

CWSRF Regionalization Incentive Grants

- Grants for municipalities to connect another municipality or privately-owned wastewater treatment system. Intended to incentivize interconnection where it would otherwise not be likely, and covers 100% of eligible costs.
- Evaluation based on environmental benefits and financial need
- High priority for enforcement connections
- Annual application cycle with competitive scoring
 - Grants for facility plan to evaluate feasibility of connection
 - Grants for construction to complete the project
 - Applications for FY2021 accepted October 1-December 31, 2020
 - Applications for FY2022 and later accepted by March 1 each year

Clean Water Engineering Report Grants

Small
Community
Engineering
Assistance
Program
Grant

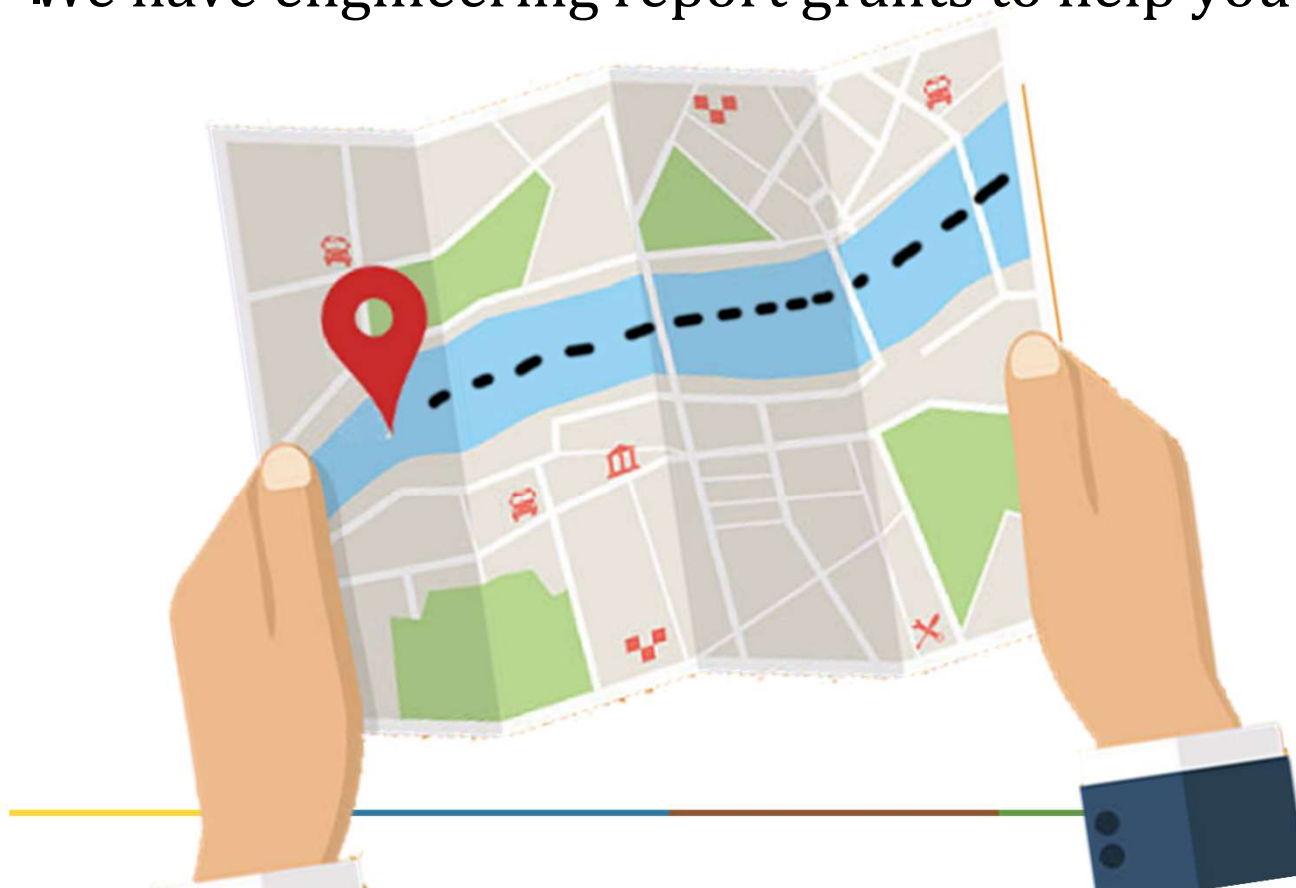


Clean Water
Engineering
Report
Grant

Planning Grants

Haven't defined your project yet?

We have engineering report grants to help you get started



Clean Water Engineering Report Grants

- **Eligible amount:** Funds 80% of cost for most communities, or funds 90% of cost for disadvantaged communities maximum award of \$50,000
- **When:** Applications accepted year-round
- **Eligible applicants:** Population 10,000 or less
- **Eligible costs:** Engineering costs for development of an engineering report/facility plan for a wastewater project for
 - Meeting meet new permit requirements
 - Inflow and infiltration work within the collection system

Drinking Water Engineering Report Grants

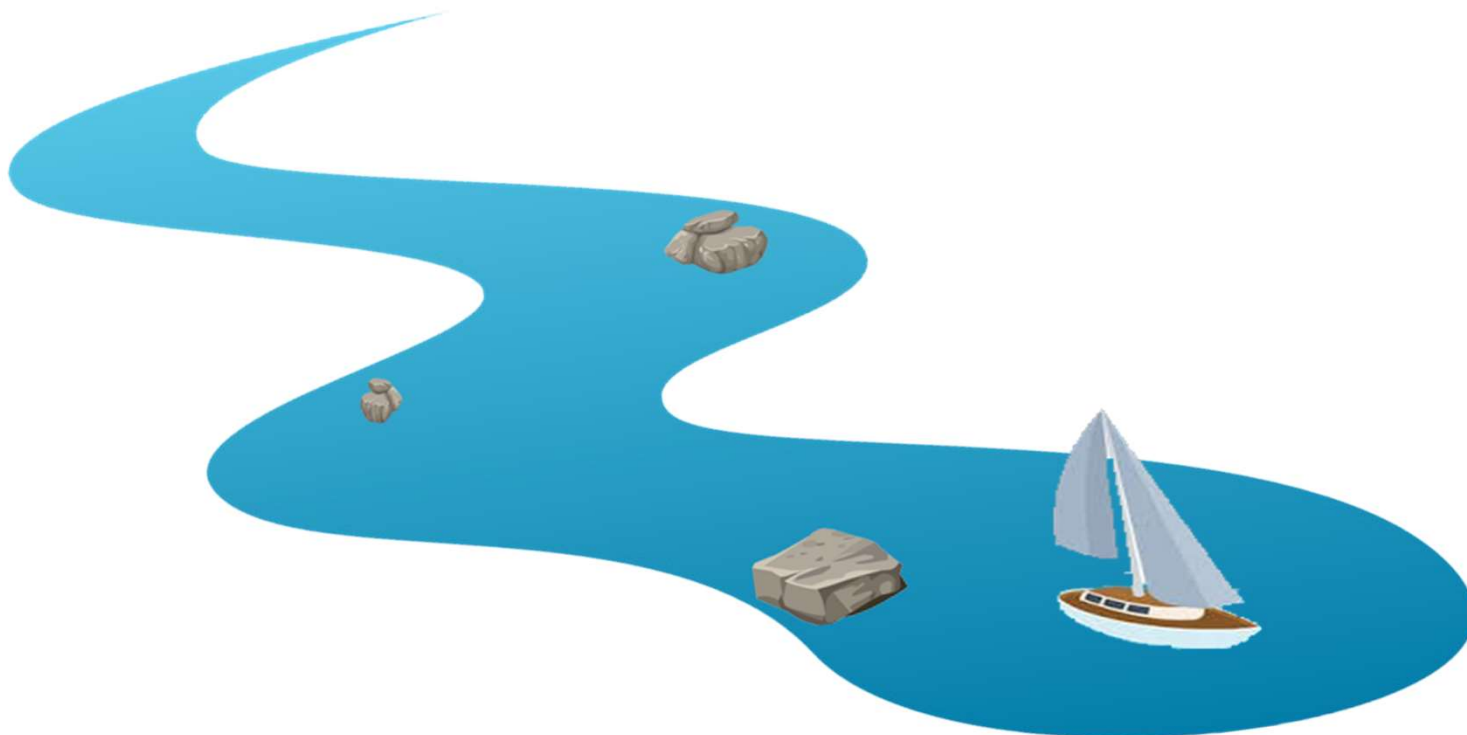
- **Eligible amount:** Funds 50% of cost maximum award of \$15,000 for most communities, or 100% of cost for disadvantaged communities with maximum award of \$30,000
- **When:** Applications due December 31 (scored once per year)
- **Eligible applicants:**
 - Municipalities, counties, public sewer districts and public water districts with a population of fewer than 3,300, or
 - Larger systems developing a plan to serve a system with a population of 3,300
- **Eligible costs:** Engineering costs for development of an engineering report/facility plan for a drinking water project for:
 - Drinking water system improvements related to compliance
 - Ability to provide safe drinking water, including compliance with regulations

Engineering Report Grants

How They Work

- Submit a completed application
- Have no outstanding fees to the Department
- Does not already have an engineering report for the same general scope of work
- Agrees to make a good faith effort to pursue recommendations contained in the accepted engineering report

SRF Success Stories



MISSOURI
DEPARTMENT OF
NATURAL RESOURCES

CWSRF Success Story: City of Fulton, Mo

- SRF Loan: \$13,000,000
- SRF Interest Savings: \$2,480,000



About the Community



- Incorporated: 1859
- Area: 12.4 square miles
- Population: 12,790



Wastewater System Upgrades to Meet Current and Future Needs

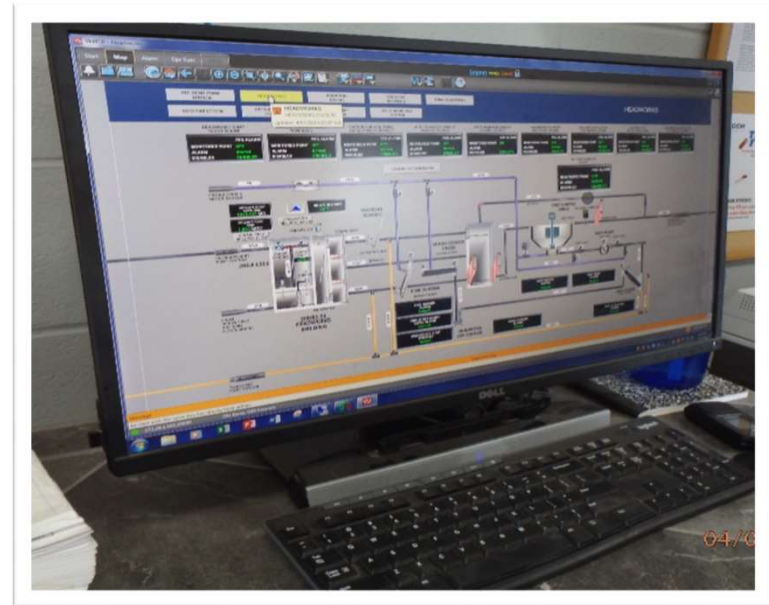
Additional capacity and redundancy with the addition of third a screw pump to lift wastewater at headworks.



Replacing aging rotors in the oxidation ditch with new diffusers and mixers

Wastewater System Upgrades

Increase capacity with a new clarifier



New SCADA system with
ultra violet disinfection

The SRF loan program will save Fulton's citizens an estimated **\$2,480,000** compared to conventional financing.

DWSRF Success Story: City of Campbell, Mo

- CDBG Grant: \$500,000
- SRF Grant: \$1,569,460
- SRF Loan: \$625,000
- SRF Principal & Interest Savings: **\$1,759,460**



About the Community



- Population: 1992
- Area: 1.4 square miles
- Incorporated: 1882





Recoated the interior and exterior of existing towers





Rehabilitated Existing Well Houses





The SRF program and CDBG will save Campbell's citizens an estimated **\$2,259,460** in principal and interest compared to conventional funding.

Questions

Financial Assistance Center

573-751-1192

fac@dnr.mo.gov